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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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JUL - 7 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In Matter of

Treatment of Guam Telephone
Authority and Similarly Situated
Carriers as Incumbent Local
Exchange Carriers under Section
251(h)(2) of the Communications
Act of 1934, as Amended

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CC Docket No. 97-134

**COMMENTS OF THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS**

Dave Ecret
Special Assistant to the Governor
for Telecommunications and Utilities
OFFICE OF THE GOVERNOR
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July 7, 1997

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Summary of Comments

Unless Micronesian Telecommunications Corporation ("MTC") is found to be an incumbent local exchange carrier ("incumbent LEC") under Section 251(h)(1) of the Telecommunications Act of 1996 ("1996 Act"), 47 U.S.C. § 251(h)(1) (1996), the Commonwealth of the Northern Mariana Islands ("Commonwealth") requests that the Commission rule in the instant proceeding that MTC is an incumbent LEC under Section 251(h)(2) of the 1996 Act, 47 U.S.C. § 251(h)(2) (1996).

The Commonwealth's need of competition in its local telecommunications market cannot be exaggerated. Increased competition will lead to lower rates, higher subscribership levels, enhanced economic growth, and improvement in the standard of living for the people of the Commonwealth. However, competitive entry in the Commonwealth's local exchange and exchange access markets will be nearly impossible without subjecting MTC to the pro-competitive interconnection requirements of Section 251(c) of the 1996 Act, 47 U.S.C. § 251(c) (1996).

Like the Guam Telephone Authority ("GTA"), MTC occupies a position in its telephone exchange service market that is comparable to that of an incumbent LEC's. MTC is the sole provider of both local exchange and exchange access services, including both switched and special access services, in the Commonwealth. In addition, MTC is the dominant provider of domestic and international off-island services in the Commonwealth. MTC also has exclusive control over off-island facilities by means of its ownership of essential multi-purpose each station facilities, analog microwave facilities and a fiber optic cable between the Commonwealth and Guam.

The Commonwealth supports the Commission's liberal interpretation of Section 251(h)(2)(B) to include LECs, such as MTC, which provided local telecommunications services to all of the subscribers in its service area where no NECA member served the area at issue as of the date of enactment of the 1996 Act. A liberal interpretation of Section 251(h)(2)(B) is necessary to effectuate Congressional intent of opening all telecommunications markets to competition. Otherwise, MTC would be permanently exempted from the pro-competitive interconnection requirements of Section 251(c). Such an interpretation would not only directly conflict with the intention of the statute's drafters, but would also produce absurd results.

In ruling MTC is an incumbent LEC subject to Section 251(c), the Commission would further the public interest, convenience, and necessity and act consistent with the purposes of Section 251 of the 1996 Act. Congress has declared that promoting competition in the local exchange and exchange access markets serves the public interest, convenience and necessity. In addition, Section 251's main purpose is to foster competition that would otherwise not likely develop in local exchange and exchange access markets. Because MTC has market power and bottleneck monopoly control over the local network, treating MTC as an incumbent LEC is a prerequisite for the development of competition in the Commonwealth.

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Carriers as Incumbent Local)	
Exchange Carriers under Section)	
251(h)(2) of the Communications)	
Act of 1934, as Amended)	

**COMMENTS OF THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS**

The Commonwealth of the Northern Mariana Islands ("Commonwealth"),¹ by its attorneys, respectfully submits the following comments in response to the Commission's Notice of Proposed Rulemaking ("Notice"), released on May 19, 1997 in the above-captioned matter.²

I. INTRODUCTION AND BACKGROUND

The Commonwealth consists of 14 islands located in the North Pacific Ocean approximately 3,300 miles west of Honolulu, 1,200 miles southeast of Tokyo, and 50 miles north of the Territory of Guam ("Guam"). The total land area of the Commonwealth is slightly

¹ These Comments are filed by the Office of the Governor on behalf of the people of the Commonwealth.

² The Commonwealth plans to separately file a petition for declaratory ruling with the Commission in the near future which argues that Micronesian Telecommunications Corporation ("MTC") is an incumbent local exchange carrier ("incumbent LEC") under Section 251(h)(1) of the Telecommunications Act of 1996 ("1996 Act"), 47 U.S.C. § 251(h)(1) (1996). If the Commission denies the Commonwealth's petition and finds that MTC is not an incumbent LEC pursuant to Section 251(h)(1), then in the alternative, the Commonwealth argues in these comments that MTC is an incumbent LEC under Section 251(h)(2) of the 1996 Act, 47 U.S.C. § 251(h)(2).

larger than 2.5 times the size of the District of Columbia.³ The populated islands of the Commonwealth (i.e., Saipan, Tinian and Rota) have a total population of 58,846.⁴

The Commonwealth is a self-governing commonwealth in political union with and under the sovereignty of the United States. The relationship between the Commonwealth and the United States is governed by the "Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America."⁵ Among other things, the Covenant provides that persons born in the Northern Mariana Islands both before and after it took effect are citizens of the U.S.⁶ Subject to certain exceptions, federal law applies to the Commonwealth.⁷ The Commission has ruled that the 1996 Act applies to the Commonwealth because the term "State" is defined in that statute to include all U.S. territories and possessions, including the Commonwealth.⁸

³ Central Intelligence Agency, World Factbook (1993) at 290.

⁴ See William H. Stewart, "A Demographic and Geographic Profile of the Commonwealth of the Northern Mariana Islands," at 1 (Commonwealth Department of Commerce, 1996).

⁵ See 48 U.S.C. § 1801 (Supp. 1995), approved by Congress in Public Law 94-241 (March 24, 1976), 90 Stat. 263 ("Covenant"). The Covenant was entered into following a plebiscite held under the United Nation's supervision in which the residents of the Commonwealth voted to enter into political union with the United States as a commonwealth.

⁶ Covenant at § 301.

⁷ U.S. Department of the Interior, Office of Insular Affairs, A Report on the State of the Islands, at 27 (Aug. 1995).

⁸ See, e.g., Policy and Rules Concerning the Interstate, Interexchange Marketplace, Implementation of Section 254(g) of the Communications Act of 1934, as amended, Report and Order in CC Dkt. No. 96-61, ¶ 55 (August 7, 1996) ("Interexchange Order").

MTC is the sole provider of both local exchange services and exchange access services in the Commonwealth, including both switched and special access services.⁹ In addition, MTC is the dominant provider of domestic and international off-island services in the Commonwealth. MTC controls access off the islands by means of its ownership of essential multi-purpose earth station facilities necessary to reach the Pacific region's INTELSAT satellites,¹⁰ as well as through its operation and control of analog microwave facilities which link the Commonwealth with Guam (and, in turn, with various international submarine cables connecting Guam with the rest of the world). MTC's exclusive control over off-island facilities is in the process of being further expanded by virtue of its initiation of services over a fiber optic cable which it recently installed between the Commonwealth and the Territory of Guam.¹¹

⁹ MTC owns 100% of the 16,065 Universal Service Fund Loops located in the Commonwealth. National Exchange Carrier Association ("NECA"), Annual Universal Service Fund Data Filing, Study Area Detail for all Exchange Carriers (Sept. 27, 1996).

¹⁰ In Re Micronesian Telecommunications Corporation; Application for Section 214 Authority to acquire from Comsat Earth Stations, Inc., Memorandum Opinion, Order and Authorization, 3 FCC Rcd 1617 (1988).

¹¹ MTC obtained Section 214 authorization and a cable landing license in 1993. In Re Micronesian Telecommunications Corporation; Application for Authority under Section 214 to Establish International Telecommunications Services Between the Commonwealth of the Northern Mariana Islands and Various Overseas Point Via Transit Facilities, Order, Authorization and Certificate, 8 FCC Rcd 7002 (1993), and In Re Micronesian Telecommunications Corporation; Application for a License to Land and Operate a High Capacity Digital Submarine Cable System, Memorandum Opinion, Order and Authorization, 8 FCC Rcd 750 (1993). On April 15, 1997, MTC filed tariff revisions to implement the provision of services over the cable. MTC Transmittal No. 125, filed April 15, 1997. See also, Tariff Transmittal Public Reference Log, Public Notice (April 17, 1997). Shortly thereafter, MTC withdrew the filing due to objections from a competitor alleging, *inter alia*, that MTC's submission lacked required cost support information. In Re PCI, Petition to Reject, or in the Alternative, to Suspend and Investigate, Transmittal No. 125 (April 22, 1997). On June 20, 1997, MTC advised the Commonwealth and the industry that it intends to operate the cable as a non-common carrier cable and has no intention of tariffing its rates for services offered over the cable. Ex Parte Letter from Robert F. Kelley and Dave Ecret to William F. Caton (June

MTC is a wholly owned subsidiary of GTE Hawaiian Telephone Company Incorporated which, in turn, is owned and controlled by GTE Corporation ("GTE").¹² As the Commission is aware, MTC's parent company, GTE, is one of the world's largest publicly-traded companies. GTE serves more local access lines than the largest Bell Operating Company ("BOC"), in addition to providing a variety of other services including interexchange services, telecommunications equipment manufacturing and information services.¹³ It is often difficult to distinguish MTC from GTE because GTE has voluntarily included MTC in its access tariff (i.e., GTOC Tariff F.C.C. No. 1),¹⁴ files rates with the Commission on behalf of MTC,¹⁵ and submits other Commission filings on behalf of MTC.¹⁶

19, 1997), transmitting as attachment Guam/CNMI Working Group Minutes at 5. As a result, on June 24, 1996, the Commonwealth filed a letter asking the Commission to order MTC to provide services over the cable on a common carrier basis in accordance with its FCC authorizations. Letter from Thomas K. Crowe, Counsel to the Commonwealth, to William F. Caton, Acting Secretary, FCC (June 24, 1997).

¹² See, e.g., Comments of GTE Service Corporation, to the Petition for Rulemaking to Provide Rate Integration in File No. AAD 95-86, at 1 n.1 (August 15, 1995). In February 1996, Hawaiian Telephone purchased the remaining minority shares in MTC, increasing its ownership interest to 100%. Report of Independent Public Accountants, Arthur Anderson LLP, at 12 (March 8, 1996).

¹³ Michael K. Kellogg et al., Federal Telecommunications Law § 8.1 (1992).

¹⁴ See GTE Telephone Operating Companies Transmittal No. 783, filed April 19, 1993, Description and Justification at 3.

¹⁵ See GTE Telephone Operating Companies Tariff F.C.C. No. 1 at 3.

¹⁶ See, e.g., Letter from Michael Senkowski, Counsel to GTE Service Corporation, to Regina Keeney, Chief, Common Carrier Bureau, FCC (May 30, 1997); and Letter from F. Gordon Maxson, Director-Regulatory Affairs, GTE, to William F. Caton, Acting Secretary, FCC (Jan. 31, 1997).

The Commonwealth believes that it will not enjoy the benefits of reduced telecommunications rates until competition exists in the Commonwealth's local telecommunications market. The continued high cost of telecommunications services can be attributable, in large part, to MTC's continuing monopoly over local exchange services and exchange access services in the Commonwealth.¹⁷

Because MTC controls the bottleneck local exchange network, unless MTC is required to comply with the pro-competitive provisions of Section 251(c), competitive entry in the Commonwealth's local exchange and exchange access markets will be nearly impossible. In the past, MTC has exhibited an unwillingness to negotiate with other carriers for interconnection. For example, on April 26, 1996, Saipan Cable Telecommunications, Inc. ("Saipan Cable") contacted MTC to request interconnection pursuant to Section 251(c) of the 1996 Act. See Exhibit A. Following an exchange of correspondence, MTC responded (through its parent company, GTE) on August 1, 1996 claiming that it is an exempt "rural telephone company" pursuant to Sections 3(37)(C) and (D) of the Communications Act of 1934, as amended ("1934 Act"). 47 U.S.C. § 3(37)(C)-(D) (1996). See Exhibit B. MTC's unwillingness to voluntarily provide interconnection to Saipan Cable clearly demonstrates the need to subject MTC to the requirements of Section 251(c).

¹⁷ Access charges in the Commonwealth appear to be among the highest in the nation. For example, in 1996, MTC's terminating premium carrier common line charge ("CCL") in the Commonwealth was \$0.0835754--10 times the nationwide CCL charge of \$0.0082 levied by member companies of NECA. GTE Telephone Operating Companies Tariff F.C.C. No. 1, effective July 1, 1996 ("GTE Operating Companies Tariff"), at 40th Revised Page 303.3.8. Moreover, MTC's terminating premium CCL charge in 1996 was 7.7 times GTE's analogous CCL charge for calls in Alaska, 4.3 times the charge for Hawaii and 3.3 times GTE's highest terminating premium CCL charge on the U.S. mainland (for Texas). GTE Operating Companies Tariff at 40th Revised Page 308.3.8. See also infra at n. 20.

In addition, the Commonwealth joined the North American Numbering Plan ("NANP") on July 1, 1997¹⁸ and is to be brought under the Commission's rate integration policy effective August 1, 1997.¹⁹ These two developments are likely to attract new competitors to the Commonwealth's telecommunications market and lead to further interconnection opportunities. However, unless MTC's status and interconnection obligations under Section 251 are clarified soon, the increased competition and lower telecommunications rates that would result from these interconnection opportunities could be lost.

The importance of affordable telecommunications services to the people of the Commonwealth cannot be exaggerated. In the Commonwealth, telecommunications costs are among the highest in the nation.²⁰ On the other hand, per capita income and telephone penetration rates are among the lowest in the nation.²¹ The effect of high telecommunications

¹⁸ See, e.g., Letter from Ronald M. Conners, Bellcore Director of NANP Administration to Commonwealth Governor Froilan C. Tenorio (May 10, 1996).

¹⁹ See Interexchange Order at ¶ 66.

²⁰ MTC currently carries calls between the Commonwealth's islands on a 1+ dialing basis and charges \$0.15 a minute for direct dialed calls. Saipan, the largest of the Commonwealth's islands is only 2.27 miles north of Tinian and 73 miles north-northeast of Rota. In addition, the present rates charged for long distance interexchange services in the Commonwealth are almost twice mainland rates. For example, MTC's current rates are tariffed at \$0.65 a minute for direct dialed daytime calls. See MTC Tariff F.C.C. No. 1, 2nd Revised Page 16B, dated June 24, 1997. By contrast, the rates currently charged by Sprint Communications Company, L.P. are \$0.35 per minute for direct dialed daytime calls to locations within the contiguous U.S. over 4,251 miles apart. See Sprint Tariff F.C.C. No. 1 at 18th Revised Page 168, dated March 17, 1997. See also supra at n.17.

²¹ In Re Federal-State Joint Board on Universal Service, Report and Order in CC Dkt. No. 96-45, at 64, n.246 (May 8, 1997) ("Universal Service Order"). According to 1990 Census data, telephone subscribership in the Commonwealth is 66.8 percent. Id. at ¶ 121 n.281. Such depressed figures lag far behind the average for the mainland United States, which approaches 90 percent. Id. at ¶ 112.

rates and low per capita income levels is, not surprisingly, a low subscribership level. In its Universal Service Order the Commission found that there is a direct correlation between low subscribership levels and high telecommunications rates.²² Therefore, lower telecommunications rates will likely increase subscribership levels in the Commonwealth.

Increased competition would also lead to the adoption of new technologies, the development of new and innovative services, and improved customer services for the Commonwealth ratepayers.²³ In addition, increased competition would enhance economic growth in the Commonwealth, consistent with the obligations of the U.S. under the Covenant to assist the Commonwealth in achieving a higher standard of living for U.S. citizens residing there and to help develop the economic resources needed to meet the financial responsibilities of self-government.²⁴

Lower telecommunications rates are also of particularly unique importance to the Commonwealth due to its remote geographic location and consequently greater dependence upon telecommunications to interconnect with the contiguous U.S. Since travel to and from the Commonwealth is both time consuming and expensive, and since mail and package services are slowed by the distance they must travel, telecommunications services are the Commonwealth's

²² Id.

²³ See Mark S. Fowler, Back to the Future, 145 Fed. Comm. L.J. 316, 160-63 (1985), (discussing the benefits of competition).

²⁴ According to Section 701 of the Covenant, "the Government of the United States will assist the Government of the Northern Mariana Islands in its efforts to achieve a progressively higher standard of living for its people as part of the American economic community and to develop the economic resources needed to meet the financial responsibilities of local self-government." Covenant at § 701.

one means of immediate contact with the mainland (and other off-shore) points.²⁵

Thus, the Commonwealth believes that it is important to clarify and require that MTC is subject to the interconnection obligations of Section 251(c) of the 1996 Act.

II. DISCUSSION

The Commonwealth believes that MTC is an incumbent LEC in accordance with the definition provision of Section 251(h)(1) of the 1996 Act and intends to file a petition for declaratory ruling addressing this issue with the Commission in the near future. However, in the event that the Commission does not act favorably upon that petition, the Commonwealth believes that the Commission should alternatively rule in the context of the instant proceeding that MTC is an incumbent LEC under Section 251(h)(2).

As shown below, the Commission should rule in this proceeding that MTC is similarly situated to Guam Telephone Authority ("GTA"), and thus is an incumbent LEC under Section 251(h)(2), subjecting it to the pro-competitive interconnection requirements of Section 251(c). Such a ruling would be in the public interest, as well as consistent with the purposes of Section 251.

A. MTC Occupies a Position in the Market Similar to an Incumbent LEC's

In its Notice, the Commission seeks comment on whether LECs similarly situated to GTA exist, and if so, whether the Commission should adopt the same rule with respect to such class or category of LECs.²⁶ The Commonwealth believes that MTC is similarly situated to

²⁵ In its Universal Service Order, the Commission acknowledged the Commonwealth's dependance on telecommunications. Universal Service Order at ¶ 64 n.246.

²⁶ Notice at ¶ 43.

GTA, and that the Commission should rule, on this basis, that MTC is also an incumbent LEC pursuant to Section 251(h)(2).

Like GTA, MTC occupies a position in the Commonwealth's telephone exchange service market that is comparable to that of an incumbent LEC's. Incumbent LECs typically occupy a dominant position in the local exchange service market in their respective operating areas, and possess economies of density, connectivity, and scale, which make entry difficult, if not impossible, absent compliance with the obligations of Section 251(c).²⁷

MTC clearly exercises such dominance in the Commonwealth. MTC is the sole provider of both local exchange services and exchange access services, including both switched and special access services, in the Commonwealth.²⁸ In addition, MTC is the dominant provider of domestic and international off-island services in the Commonwealth. MTC also has exclusive control over off-island facilities by means of its ownership of essential multi-purpose earth station facilities, analog microwave facilities and a fiber optic cable between the Commonwealth and Guam. Thus, like GTA, MTC controls the bottleneck local exchange network in the Commonwealth, and possesses substantial economies of density, connectivity, and scale that,

²⁷ In Re Guam Public Utilities Commission Petition for Declaratory Ruling concerning Sections 3(37) and 251(h) of the Communications Act, Declaratory Ruling in CCB Pol. 96-18, ¶ 15 (May 19, 1997); Notice at ¶ 26. See also Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Dkt. No. 96-98, First Report and Order, 11 FCC Rcd 15499, ¶¶ 1241-48 (1996).

²⁸ Supra at n.9.

absent compliance with Section 251(c), will impede the development of telephone exchange service competition in the Commonwealth.

B. Liberal Interpretation of Section 251(h)(2) Is Necessary

In its Notice, the Commission seeks comment on its tentative conclusion that Section 251(h)(2)(B) should be construed liberally.²⁹ Commonwealth supports the Commission's liberal interpretation of Section 251(h)(2)(B) to include LECs which provide local exchange services to all or virtually all of the subscribers in an area that did not receive telephone exchange services from a NECA member as of the date of enactment of the 1996 Act.

The Commonwealth supports the Commission's tentative conclusion that this interpretation effectuates Congressional intent.³⁰ Congress clearly intended the 1996 Act to "provide for a pro-competitive, de-regulatory national policy framework designed to accelerate rapid private sector deployment of advanced telecommunications and information technologies and services to all Americans by opening all telecommunications markets to competition."³¹ A literal construction of Section 251(h)(2)(B) would require GTA, and LECs similarly situated to GTA (such as MTC), to have supplanted an incumbent LEC (as defined in Section 251(h)(1)) in its service area. This interpretation would lead to a permanent exemption of MTC and GTA, dominant providers of local exchange and exchange access services, from requirements which were designed to foster competition in local exchange and exchange access markets. Because both MTC and GTA are dominant in their respective service areas, there is little economic

²⁹ Notice at ¶ 31.

³⁰ Id. at ¶ 31.

³¹ Id. at ¶ 32 (citing to Joint Statement of Managers, S., Conf. Rep. No. 104-230, 104th Cong., 2d Sess., at 1 (1996)).

incentive for them to assist new entrants.³² The dominant market presence of MTC in the Commonwealth and GTA in Guam appears to be precisely the type of non-competitive situations that Congress intended Section 251(c) to redress. Therefore, the Commonwealth agrees with the Commission that to construe Section 251(h)(2)(B) literally would produce absurd results "demonstrably at odds with the intention of its drafters."³³

A liberal interpretation of Section 251(h)(2)(B), on the other hand, would require MTC and GTA to conform with the pro-competitive requirements of Section 251(c). The Commonwealth believes that Section 251(h)(2)(B) is satisfied where, as suggested in the Commission's Notice, the statute is liberally interpreted to include "any LEC that provides telephone exchange service to all or virtually all of the subscribers in its service area, where no NECA member served the area at issue as of the date of enactment of the 1996 Act."³⁴

C. Finding LECs like MTC and GTA to be Incumbent LECs
Furtheres the Public Interest, Convenience and Necessity,
and is Consistent with the Purposes of Section 251

In its Notice, the Commission seeks comment on whether treating GTA and similarly situated LECs as incumbent LECs under Section 251(h)(2) would be consistent with the public interest, convenience and necessity.³⁵ The Commonwealth agrees with the Commission's tentative conclusion that treating GTA and similarly situated LECs as incumbent LECs for

³² See supra at 5, and Exhibits A and B (demonstrating MTC's refusal to provide interconnection to new entrants).

³³ Notice at ¶ 37, (citing U.S. v. Ron Pair, [489 U.S. at 242].)

³⁴ Id. at ¶ 37.

³⁵ Id. at ¶¶ 40-41.

purposes of Section 251(c) would be consistent with the public interest, convenience, and necessity.

Congress has declared unequivocally that promoting competition in local exchange and exchange access markets serves the public interest, convenience and necessity.³⁶ In addition, increased competition in the Commonwealth's local exchange and exchange access markets would lead to lower rates, higher subscribership levels, enhanced economic growth, and improvement in the standard of living for the people of the Commonwealth.³⁷ Therefore, treating MTC and GTA as incumbent LECs would promote competition in the local exchange and exchange access markets, because such treatment would require MTC and GTA to comply with the pro-competitive obligations of Section 251(c).

The Commonwealth also supports the Commission's tentative conclusion that treating GTA and similarly situated LECs, including MTC, as incumbent LECs is consistent with the purposes of Section 251. Section 251's main purpose is to "foster competition that otherwise would not likely develop in local exchange and exchange access markets."³⁸ Because MTC and GTA have market power and bottleneck monopoly control over the local network, treating MTC and GTA as incumbent LECs is a prerequisite for the development of competition in Guam and the Commonwealth. On the other hand, failing to treat MTC and GTA as incumbent LECs

³⁶ See, e.g., 47 U.S.C. § 160(b) (providing in the 1996 Act that forbearance is in the public interest if it will promote competitive market conditions and enhance competition among providers of telecommunications services); 47 U.S.C. § 257(b) (describing the policies and purposes of the 1996 Act as favoring vigorous competition).

³⁷ Supra at n.23.

³⁸ Notice at ¶ 41.

would likely stifle competition in the Commonwealth and Guam, and contradict the purposes of Section 251.

For the reasons stated above, treating MTC and GTA as incumbent LECs subject to Section 251(c) would be consistent with public interest, convenience and necessity, and the purposes of Section 251.

III. CONCLUSION

As demonstrated above, in the absence of a ruling that MTC is an incumbent LEC under Section 251(h)(1), the Commonwealth urges the Commission to rule that MTC is similarly situated to GTA, and thus is an incumbent LEC under Section 251(h)(2). The Commonwealth also supports the Commission's liberal interpretation of Section 251(h)(2)(B), and its tentative conclusion that treating LECs such as MTC and GTA as incumbent LECs is in the public

interest, convenience and necessity as well as consistent with the purposes of Section 251.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas K. Crowe", written over a horizontal line.

Dave Ecret
Special Assistant to the Governor
for Telecommunications and Utilities
OFFICE OF THE GOVERNOR
Commonwealth of the Northern
Mariana Islands
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COUNSEL FOR THE COMMONWEALTH
OF THE NORTHERN MARIANA ISLANDS

Dated: July 7, 1997

EXHIBIT A

FAXED**FACSIMILE MESSAGE****Saipan Cable Telecommunications, Inc.****530 W. O'Brien Drive****Agana, Guam 96910****Phone: 671-477-8255****FAX: 671-477-7341****e-mail: ricn@iftech.net****PAGE 1 of 1****Date: April 26, 1996**

To: Mr. Rob Enfield
Micronesian Telecommunications Corporation General Manager
VIA FAX: 670-235-0210

From: Ric Novak**RE: Telecommunications Act of 1996**

/

Dear Mr. Enfield,

/

As a member of the private sector who is registered with the Federal Communications Commission to provide telecommunication services we are requesting opening of good faith negotiations with a local exchange carrier as prescribed by subject legislation.

/

We desire negotiations to include but not be limited to the following issues:

- Resale.
- Number Portability.
- Dialing Parity.
- Access to Rights of Way.
- Reciprocal Compensation.
- Interconnection.
- Unbundled Access.
- Collocation.
- Participation in public telecommunications network planning and design.

/

Please let us know when we may commence timely negotiations with you and/or members of your staff.

/



EXHIBIT B

Donald W. McLeod
Vice President-Local
Competition/Interconnection



GTE Telephone
Operations

August 1, 1996

HQE01E63
600 Hidden Ridge
P. O. Box 152092
Irving, TX 75015-2092
214/718-6330
FAX: 214/718-127

Mr. Ric Novak
Saipan Cable Telecommunications, Inc.
530 W. O'Brien Drive
Agana, Guam 96910

Dear Mr. Novak:

This letter is to advise you that the GTOC service area listed on the attachment is under the rural exemption as provided by Section 251 (f)(1) of the Telecommunications Act of 1996 (the Act), with respect to certain interconnection resale and unbundling obligations. Although this service area is rural, we will continue to negotiate in good faith for interconnection, unbundled network elements, and resale.

Section 3(a)(47) of the Act provides a rural exemption for a "local exchange carrier operating entity" that meets any of the following conditions:

- (A) Provides service to any study area that does not include an unincorporated area of 10,000 residents or more, or does not include any territory defined as urban by the Census Bureau.
- (B) Provides service to fewer than 50,000 access lines.
- (C) Provides service to a study area with fewer than 100,000 access lines.
- (D) Has less than 15% of the access lines in communities of more than 50,000 residents as of February 8, 1996.

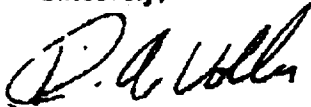
This GTE service area qualified for the rural exemption either under condition (C) or (D) as indicated on the attachment.

Mr. Ric Novak
August 1, 1996
Page 2

As you may know, Congress was correctly concerned about maintaining high quality communication services in rural areas; accordingly, they did not impose certain interconnection, resale, and unbundling obligations on telephone companies serving these areas, unless the state commission determines such activity is appropriate. Therefore, in some instances, it may be necessary for the state commission to determine to what extent a competitive local exchange carrier's request for services under the Act is unduly economically burdensome, is technically feasible, or may interfere with the maintenance of universal service.

GTE will actively participate in any Commission proceedings to determine whether such requests meet the requirements of the Act.

Sincerely,



fa Donald W. McLeod
Vice President - Local
Competition/Interconnection

DWM:pr
Attachment

c: S. M. Jones - GTE
C. E. Nicholas - GTE
M. C. Seaman - GTE

bc: D. A. Voller - HQE01G51 - Irving, TX

Attachment
Saipan

**GTE Telephone Operations
Areas Qualifying for the Rural Exemption
(Data as of January 31, 1996)**

State	State or Study Area	Access Lines	Sec. 3(a) (47) Condition Met	Rural Exemption
Saipan	Total Micronesia	15,000	(C), (D)	Yes
TOTAL ACCESS LINES: 15,000		TOTAL QUALIFYING LINES: 15,000 (100%)		

Section 3(a)(47) of the Act defines a "rural telephone company" as a local exchange company that meets any of the following conditions:

- A) Provides service to any study area that does not include an unincorporated area of 10,000 residents or more, or does not include any territory defined as urban by the Census Bureau.
- B) Provides service to fewer than 50,000 access lines.
- C) Provides service to a study area with fewer than 100,000 access lines.
- D) Has less than 15% of the access lines in communities of more than 50,000 as of February 8, 1996.